

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of South Branch	County Crawford
Fiscal Year End 3/31/07	Opinion Date 8/29/07	Date Audit Report Submitted to State 9/28/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES
NO

Check each applicable box below. (See instructions for further detail.)

- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
- ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
- ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
- ☒ ☐ The local unit has adopted a budget for all required funds.
- ☒ ☐ A public hearing on the budget was held in accordance with State statute.
- ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
- ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
- ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
- ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
- ☒ ☐ The local unit is free of repeated comments from previous years.
- ☒ ☐ The audit opinion is UNQUALIFIED.
- ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
- ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
- ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) James M. Anderson, P.C.		Telephone Number (989) 563-2450		
Street Address P.O. Box 255		City Roscommon	State MI	Zip 48653
Authorizing CPA Sign: 	Digitally signed by James M. Anderson, CPA DN: cn=James M. Anderson, c=US, o=James M. Anderson, P.C., email=jma@m33access.com Date: 2007.09.28 14:09:27 -0400	Printed Name James M. Anderson, CPA		License Number 1101017419

**TOWNSHIP OF SOUTH BRANCH
CRAWFORD COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
MARCH 31, 2007**

TOWNSHIP OFFICIALS

Supervisor

Tom Kozlowski

Clerk

Lynn George

Treasurer

Suzanne Luck

TRUSTEES

Paul Musselman

Michael Janisse

TOWNSHIP OF SOUTH BRANCH

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-8
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet - Governmental Funds	11-12
Reconciliation of Fund Balances on Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets	13
Combining Statement of Revenue, Expenditures And Changes in Fund Balance-Governmental Funds	14-15
Reconciliation of the Statement of Revenue, Expenditures And Changes in Fund Balance of Governmental Funds To the Statement of Activities	16
Fiduciary Fund:	
Statement of Fiduciary Net Assets	17
Statement of Changes in Fiduciary Net Assets	18
Notes to Financial Statements	19-26
Required Supplemental Information:	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
General Fund	27-31
Fire Fund	32
Ambulance Fund	33
Refuse Fund	34

TOWNSHIP OF SOUTH BRANCH

TABLE OF CONTENTS

Other Supplemental Information:

Combining Balance Sheet - Nonmajor Governmental Funds	35
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds	36
Statement of Revenue, Expenditures and Changes in Fund Balance Budget and Actual - Nonmajor Governmental Funds:	
Road Fund	37
Cemetery Fund	38
Liquor Law Fund	39



James M. Anderson, P.C.

CERTIFIED PUBLIC ACCOUNTANT

P.O. Box 255 • Roscommon, MI 48653

Phone: (989) 563-2450 • Fax: (989) 563-3471 • E-mail: jma@m33access.com

INDEPENDENT AUDITOR'S REPORT

August 29, 2007

Township Board
South Branch Township
Crawford County, Michigan

I have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Township of South Branch, as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

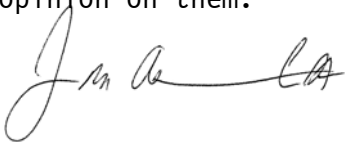
In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities, each major fund activity, and the aggregate remaining fund information of the Township of South Branch, as of March 31, 2007, and the respective changes in financial position thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3-8 and budgetary comparison information on pages 27-39 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

MEMBER MACPA and AICPA

Township Board
South Branch Township
August 29, 2007
Page 2

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of South Branch's basic financial statements. The introductory section and combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on them.

A handwritten signature in dark ink, appearing to read "Jm Anderson", with a stylized flourish at the end.

JAMES M. ANDERSON, P.C.
CERTIFIED PUBLIC ACCOUNTANT

TOWNSHIP OF SOUTH BRANCH MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of South Branch Township (the "Township"), we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2007.

Financial Highlights

- . The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$2,272,477 (*net assets*). Of this amount, \$1,577,141 (*unrestricted net assets*) may be used to meet the Township's ongoing obligations.
- . The Township's total net assets increased by \$318,012.
- . As of the close of the current fiscal year, the Township's general fund, reported an ending fund balance of \$730,273, an increase of \$97,621 in comparison with the prior year.
- . At the end of the current fiscal year, unreserved fund balance for the general fund was \$700,519 or 306% of total general expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements consist of three components: 1)Government-wide financial statements, 2)Fund financial statements, and 3)Notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

Government-wide financial statements. The *Government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

TOWNSHIP OF SOUTH BRANCH
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Both of the Government-wide financial statements present functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Township include general government, public safety, public works, and other. The Township does not have any business-type activities as of and for the year ended March 31, 2007.

The Government-wide financial statements can be found on pages 9-10 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the Government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the Government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains seven governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Fire, Ambulance, Refuse, Road, Cemetery and Liquor Law Enforcement Funds.

The Township adopts an annual appropriated budget for its governmental funds. Budgetary comparison statements or schedules have been provided for the governmental funds herein to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 11-12 and 14-15 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are *not* reflected in the Government-wide financial statements because the resources of those funds are *not* available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

TOWNSHIP OF SOUTH BRANCH
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-26 of this report.

Government-wide Financial Analysis

A portion of the Township's net assets (29%) reflects its investments in capital assets (e.g., land, land improvements, buildings, and equipment); less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to the community; consequently, these assets are *not* available for future spending.

Township's Net Assets

	Governmental Activities			
	2007	2006	Variance	%
Current and Other Assets	\$1,621,512	\$1,303,295	\$ 318,217	24.42
Capital Assets, Net	<u>666,757</u>	<u>698,369</u>	<u>(31,612)</u>	<u>(4.53)</u>
Total Assets	<u>2,288,269</u>	<u>2,001,664</u>	<u>286,605</u>	<u>14.32</u>
Current Liabilities	15,792	47,199	(31,407)	(66.54)
Long-Term Liabilities	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>0.00</u>
Total Liabilities	<u>15,792</u>	<u>47,199</u>	<u>(31,407)</u>	<u>(66.54)</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	665,582	669,194	(3,612)	(0.54)
Reserved for tax administration	29,754	6,762	22,992	340.02
Unrestricted	<u>1,577,141</u>	<u>1,278,509</u>	<u>298,632</u>	<u>23.36</u>
Total Net Assets	<u><u>\$2,272,477</u></u>	<u><u>\$1,954,465</u></u>	<u><u>\$ 318,012</u></u>	<u><u>16.27</u></u>

TOWNSHIP OF SOUTH BRANCH
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The Township's net assets increased by \$318,012 during the current fiscal year. Unrestricted net assets - the part of net assets that can be used to finance day to day operations, increased by \$298,632 or 23%, during fiscal year 2007.

Township's Changes in Net Assets

	Governmental Activities			
	<u>2007</u>	<u>2006</u>	<u>Variance</u>	<u>%</u>
Revenue:				
Program Revenue:				
Charges for services	\$ 76,325	\$ 54,849	\$ 21,476	39.16
Operating Grants and contributions	18,447	14,761	3,686	24.97
Capital Grants	-0-	2,587	(2,587)	(100.00)
General Revenue:				
Property Taxes	557,075	533,298	23,777	4.46
State-Shared Revenues	138,269	139,980	(1,711)	(1.22)
Interest and Rent Earnings	53,835	26,265	27,570	104.97
Other	13,348	12,514	834	6.66
Total Revenue	<u>857,299</u>	<u>784,254</u>	<u>73,045</u>	<u>9.31</u>
Expenses:				
General Government	233,918	196,078	37,840	19.30
Public Safety	190,991	177,211	13,780	7.78
Public Works	113,240	105,179	8,061	7.66
Other	1,138	2,862	(1,724)	(60.24)
Total Expenses	<u>539,287</u>	<u>481,330</u>	<u>57,957</u>	<u>12.04</u>
Increase in Net Assets	318,012	302,924	15,088	4.98
Net Assets, Beginning of Year	<u>1,954,465</u>	<u>1,651,541</u>	<u>302,924</u>	<u>18.34</u>
Net Assets, End of Year	<u><u>\$ 2,272,477</u></u>	<u><u>\$ 1,954,465</u></u>	<u><u>\$ 318,012</u></u>	<u><u>16.27</u></u>

Governmental activities. The Township's total governmental revenues increased by \$73,245 from last fiscal year. This was primarily attributed to additional revenue from property taxes, tax collection fees and interest. Expenses increased by \$57,957. The increase was primarily due to capital improvement expenditures.

Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

TOWNSHIP OF SOUTH BRANCH
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$1,606,895, an increase of \$321,624 in comparison with the prior year. The *undesignated fund balance*, which is available for spending at the Township's discretion, constitutes 98% of this total amount.

The primary governmental fund is the General Fund of the Township. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Undesignated fund balance represents 343% of total general fund expenditures.

The fund balance of the General Fund increased by \$97,621 during the current fiscal year.

General Fund Budgetary Highlights

The Township's budgets are prepared in accordance with Michigan Law. The budgeted funds are the General, Fire, Ambulance, Refuse, Road, Cemetery and Liquor Law Funds.

Capital Assets and Debt Administration

Capital assets. The Township's investment in capital assets for its governmental activities as of March 31, 2007, amounted to \$666,757 (net of accumulated depreciation). Investment in capital assets includes land, land improvements, buildings, and equipment. Additions totaled \$52,197 for the fiscal year.

Township's Capital Assets (net of depreciation)

	2007	2006	Total Percentage Change
Land	\$ 2,520	\$ 2,520	0.00
Buildings and Improvements	361,406	362,912	(0.41)
Machinery and Equipment	124,235	121,960	1.87
Vehicles	178,596	210,977	(15.35)
Total	<u>\$ 666,757</u>	<u>\$ 698,369</u>	<u>(4.53)</u>

Additional information on the Township's capital assets can be found in note F on page 25 of this report.

TOWNSHIP OF SOUTH BRANCH
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Factors Bearing on the Township's Future

The Township is considering the following items in the 2007/2008 budget:

- . Completion of garage/storage building for general use of the township. The estimated cost of this is \$33,000.
- . Lighting system for the parking lot with an estimated cost of \$4,000. The board is also looking into resurfacing the parking lot within the next year.
- . Fencing replacement and installation at cemetery at a cost of \$2,800. Tree removal of \$2,700. The board is also investigating the costs of a new well.
- . Zoning administration position will continue with a budget of \$21,000 per year.
- . The board is exploring the purchase of a township vehicle to be used by the zoning administration as well as other township business.
- . The township hall is in need of expansion to accommodate office space. This is currently being investigated by the board.
- . With the new zoning ordinance in place, there will be a cost of enforcement.

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

**South Branch Township
P.O. Box 606
Roscommon, MI 48653**

TOWNSHIP OF SOUTH BRANCH
STATEMENT OF NET ASSETS
MARCH 31, 2007

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and investments	\$ 1,512,195
Receivables:	
Accounts Receivable	2,416
Delinquent Taxes	71,088
Other Governmental Units	20,573
Prepaid insurance	<u>15,240</u>
Total Current Assets	1,621,512
Non-Current Assets:	
Capital Assets - Net	<u>666,757</u>
Total Assets	<u>2,288,269</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	6,818
Accrued Liabilities	7,799
Current Portion of Long-Term Debt	<u>1,175</u>
Total Current Liabilities	<u>15,792</u>
Long-Term Liabilities:	
Notes Payable	<u>-0-</u>
Total Liabilities	<u>-0-</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	665,582
Reserved for Tax Administration	29,754
Unrestricted	<u>1,577,141</u>
Total Net Assets	<u>\$ 2,272,477</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SOUTH BRANCH
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2007

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue</u>
GOVERNMENTAL ACTIVITIES					
Administration	\$ (233,918)	\$ 45,758	\$ -0-	\$ -0-	\$ (188,160)
Public Safety	(190,991)	30,402	3,720	-0-	(156,869)
Public Works	(113,240)	165	14,727	-0-	(98,348)
Interest on Long-Term Debt	<u>(1,138)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(1,138)</u>
Total Governmental Activities	<u>\$ (539,287)</u>	<u>\$ 76,325</u>	<u>\$ 18,447</u>	<u>\$ -0-</u>	<u>(444,515)</u>
GENERAL REVENUES					
Property Taxes Levied for:					
General Purpose					157,918
Public Safety					272,010
Public Works					127,147
State Shared Revenue not restricted to specific purposes					138,269
Miscellaneous					13,348
Investment Earnings					<u>53,835</u>
Total General Revenues					<u>762,527</u>
Change in Net Assets					318,012
Net Assets - April 1					<u>1,954,465</u>
Net Assets - March 31					<u>\$ 2,272,477</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SOUTH BRANCH
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2007

ASSETS	<u>General</u>	<u>Fire</u>
Cash and investments	\$ 696,186	\$ 429,035
Taxes receivable	24,715	21,703
Due from other Governmental Units	20,573	-0-
Accounts receivable	1,050	-0-
Due from other funds	4,148	-0-
Prepaid insurance	<u>4,279</u>	<u>9,254</u>
Total Assets	<u>\$ 750,951</u>	<u>\$ 459,992</u>
LIABILITIES AND FUND EQUITY		
Liabilities:		
Accounts payable	\$ 5,789	\$ 460
Accrued liabilities	5,889	756
Due to other funds	<u>9,000</u>	<u>-0-</u>
Total Liabilities	<u>20,678</u>	<u>1,216</u>
Fund Equity:		
Fund balance:		
Designation for tax administration	29,754	-0-
Undesignated	<u>700,519</u>	<u>458,776</u>
Total Fund Equity	<u>730,273</u>	<u>458,776</u>
Total Liabilities and Fund Equity	<u>\$ 750,951</u>	<u>\$ 459,992</u>

The accompanying notes are an integral part of these financial statements.

<u>Ambulance</u>	<u>Refuse</u>	<u>Other Funds</u>	<u>Totals</u>
\$ 134,171	\$ 134,177	\$ 118,626	\$ 1,512,195
6,621	18,049	-0-	71,088
-0-	-0-	-0-	20,573
1,366	-0-	-0-	2,416
9,000	-0-	-0-	13,148
<u>1,320</u>	<u>110</u>	<u>277</u>	<u>15,240</u>
<u>\$ 152,478</u>	<u>\$ 152,336</u>	<u>\$ 118,903</u>	<u>\$ 1,634,660</u>

\$ 569	\$ -0-	\$ -0-	\$ 6,818
593	535	26	7,799
<u>-0-</u>	<u>-0-</u>	<u>4,148</u>	<u>13,148</u>
<u>1,162</u>	<u>535</u>	<u>4,174</u>	<u>27,765</u>

-0-	-0-	-0-	29,754
<u>151,316</u>	<u>151,801</u>	<u>114,729</u>	<u>1,577,141</u>
<u>151,316</u>	<u>151,801</u>	<u>114,729</u>	<u>1,606,895</u>
<u>\$ 152,478</u>	<u>\$ 152,336</u>	<u>\$ 118,903</u>	<u>\$ 1,634,660</u>

TOWNSHIP OF SOUTH BRANCH
RECONCILIATION OF FUND BALANCES ON BALANCE SHEET
FOR GOVERNMENTAL FUNDS TO NET ASSETS OF
GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS
MARCH 31, 2007

TOTAL FUND BALANCES - GOVERNMENTAL ACTIVITIES	\$ 1,606,895
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not recorded in the funds. This represents the amounts by which capital assets used in governmental funds exceeds depre- ciation.	666,757
Long-term liabilities, including notes/bonds payable and accrued liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,175)</u>
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES	<u><u>\$ 2,272,477</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SOUTH BRANCH
 COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
 FUND BALANCE - GOVERNMENTAL FUND TYPES
 YEAR ENDED MARCH 31, 2007

	<u>General</u>	<u>Fire</u>	<u>Ambulance</u>
Revenues:			
Taxes and assessments	\$ 157,918	\$ 207,065	\$ 64,945
Intergovernmental	138,269	2,565	-0-
Charges for services	45,200	2,000	28,402
Licenses and permits	558	-0-	-0-
Interest	17,869	15,505	9,107
Other	<u>1,607</u>	<u>292</u>	<u>3,522</u>
Total Revenues	<u>361,421</u>	<u>227,427</u>	<u>105,976</u>
Expenditures:			
General government	226,892	-0-	-0-
Public Safety	-0-	100,864	56,408
Public works	1,908	-0-	-0-
Debt service:			
Principal	-0-	28,000	-0-
Interest and fees	<u>-0-</u>	<u>1,138</u>	<u>-0-</u>
Total Expenditures	<u>228,800</u>	<u>130,002</u>	<u>56,408</u>
Excess:			
Revenue over (under) expenditures	<u>132,621</u>	<u>97,425</u>	<u>49,568</u>
Other Financing Sources (Uses):			
Operating transfers in	-0-	-0-	-0-
Operating transfers out	<u>(35,000)</u>	<u>-0-</u>	<u>-0-</u>
Total Other Financing Sources (Uses)	<u>(35,000)</u>	<u>-0-</u>	<u>-0-</u>
Excess:			
Revenue and other financing sources over (under) expenditures and other financing uses	97,621	97,425	49,568
Fund Balance - April 1	<u>632,652</u>	<u>361,351</u>	<u>101,748</u>
Fund Balance - March 31	<u>\$ 730,273</u>	<u>\$ 458,776</u>	<u>\$ 151,316</u>

The accompanying notes are an integral part of these financial statements.

<u>Refuse</u>	<u>Other Funds</u>	<u>Totals</u>
\$ 127,147	\$ -0-	\$ 557,075
-0-	15,882	156,716
165	-0-	75,767
-0-	-0-	558
8,260	3,094	53,835
<u>667</u>	<u>7,260</u>	<u>13,348</u>
<u>136,239</u>	<u>26,236</u>	<u>857,299</u>
-0-	8,577	235,469
-0-	928	158,200
110,716	244	112,868
-0-	-0-	28,000
<u>-0-</u>	<u>-0-</u>	<u>1,138</u>
<u>110,716</u>	<u>9,749</u>	<u>535,675</u>
<u>25,523</u>	<u>16,487</u>	<u>321,624</u>
-0-	35,000	35,000
<u>-0-</u>	<u>-0-</u>	<u>(35,000)</u>
<u>-0-</u>	<u>35,000</u>	<u>-0-</u>
25,523	51,487	321,624
<u>126,278</u>	<u>63,242</u>	<u>1,285,271</u>
<u>\$ 151,801</u>	<u>\$ 114,729</u>	<u>\$ 1,606,895</u>

TOWNSHIP OF SOUTH BRANCH
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2007

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 321,624

Amounts reported for governmental activities in the
Statement of Activities are different because:

Governmental funds do not report long-term debt;
therefore, debt service payments are recorded as
expenditures. However in government-wide financial
statements, long-term debt is recorded as a liability and
payments are applied against the outstanding balances. 28,000

Governmental funds report capital outlays as expenditures.
However in the statement of activities, the cost of these
assets are capitalized and depreciation charged to expense
over their useful life. (31,612)

CHANGES IN NET ASSETS - GOVERNMENTAL ACTIVITIES \$ 318,012

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SOUTH BRANCH
STATEMENT OF FIDUCIARY NET ASSETS
MARCH 31, 2007

ASSETS	
Cash and Investments	\$ <u>6,589</u>
LIABILITIES	
Undistributed Collections	<u>6,589</u>
Total Liabilities	<u>6,589</u>
NET ASSETS	
Net Assets	<u><u>\$ -0-</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SOUTH BRANCH
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
YEAR ENDED MARCH 31, 2007

REVENUES	
Property Tax Collections	\$ 2,975,574
Interest Collections	<u>1,792</u>
Total Revenues	<u>2,977,366</u>
EXPENDITURES	
Property Taxes	2,975,574
Other	<u>1,792</u>
Total Expenditures	<u>2,977,366</u>
Excess of Revenues over Expenditures	-0-
Net Assets - April 1	<u>-0-</u>
Net Assets - March 31	<u><u>\$ -0-</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SOUTH BRANCH
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2007

NOTE A: ENTITY

The Township of South Branch is a general law township of the state of Michigan located in Crawford County, Michigan. It operates under an elected board and provides services to its residents in many areas including liquor law enforcement, fire and ambulance services, community enrichment, and human services. As required by generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement no. 14 "The Financial Reporting Entity", these financial statements present the Township of South Branch (primary government) and its component units. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of South Branch conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS: The government-wide financial statements (i.e., the statements of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Indirect expenses* are charged based upon a Township-wide cost allocation plan which allocates costs based upon the number of full time equivalents, number of transactions, and other pertinent information. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items are not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

TOWNSHIP OF SOUTH BRANCH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2007

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION: The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues are considered to be available when all eligibility requirements imposed by the provider have been met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and select compensated absences are recorded only when payment is due.

Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township reports the following major governmental funds:

The *General Fund* is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Fire Fund* is used to account for all financial activity related to the Township's fire service. The main source of revenue is derived from property taxes.

The *Ambulance Fund* is used to account for activity related to the Township's ambulance services. The major source of revenue is from property taxes and ambulance fees.

The *Refuse Fund* is used to account for the Township's refuse pick-up services. The primary source of revenue is derived from property tax assessments.

TOWNSHIP OF SOUTH BRANCH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2007

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

The Township reports, in total, the following non-major governmental funds:

Road Fund
Cemetery Fund
Liquor Law Fund

Additionally, the Township reports the following fund types:

Agency Funds are used to account for assets held on behalf of outside parties, including other governments.

Property tax revenues are recognized as follows:

Properties are assessed as of December 31 and the related property taxes are levied on December 1 of the following year. These taxes are due on February 15; uncollected amounts are subsequently added to the county delinquent tax rolls. A county revolving fund normally pays the balance of the Township's tax levy by May 31 of each year. In accordance with GASB 33 "Accounting and Financial Reporting for Nonexchange Transactions", the Township records the property tax revenue when it becomes an enforceable legal claim for the Township. Therefore, all taxes levied on December 1, 2006, are recorded as revenue in the current year. The Township's taxable value for the 2006 tax year totaled \$86,006,748.

The tax rates for the year ended March 31, 2007, were as follows:

<u>PURPOSE</u>	<u>RATE/ASSESSED VALUATION</u>
General	1.7392 mills per \$1,000
Fire	2.5000 mills per \$1,000 (real property only)
Ambulance	1.0000 mills per \$1,000 (specific parcels only)
Refuse	Special Assessment

BUDGETS - Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets of the Township for budgetary funds were adopted on a fund level. Budgets are normally formulated during January and February of each year and a budget hearing is held in March. The board normally adopts the budget just prior to April 1. Amendments are made to the budgets when determined to be necessary throughout the year. Unused appropriations for budgeted activities lapse at the end of the year. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

TOWNSHIP OF SOUTH BRANCH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2007

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exists. Donated capital assets are valued at their estimated fair value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

No interest expense has been incurred or capitalized on capital assets reported in proprietary funds.

Depreciation on the capital assets (including infrastructure), is computed using the straight-line or sum-of-the-years digits method over the following estimated useful lives:

	<u>Years</u>
Land improvements	20
Buildings	30-50
Public domain infrastructure	8-50
Equipment	3-20

LONG-TERM OBLIGATIONS - In the government-wide financial statements, the long-term debt and other long-term obligations are reported as liabilities. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

TOWNSHIP OF SOUTH BRANCH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2007

NOTE C - CASH AND INVESTMENTS

The captions on the balance sheets related to deposits and investments are as follows:

	<u>Checking & Savings</u>
Government Activities	\$ 1,512,195
Agency funds	<u>6,589</u>
Total	<u>\$ 1,518,784</u>

Deposits - At year-end, the carrying amount of the Township's deposits was \$1,518,784 and the bank balance was \$1,554,977. According to Section 330.8 of the Federal Deposit Insurance Corporation Rules and Regulations, 22% of the total bank balance was covered by federal depository insurance.

The Government Accounting Standards Board Statement No. 3 risk disclosures for South Branch Township's cash deposits are as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 270,629	\$ 335,759
Uninsured and Uncollateralized	<u>1,248,155</u>	<u>1,219,218</u>
Total Deposits	<u>\$ 1,518,784</u>	<u>\$ 1,554,977</u>

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to local government's indirect investment in securities through the use of mutual funds or government investment pools.

Interest Rate Risk

The Township has not adopted a policy that indicates how the Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by limiting the weighted average maturity of its investment portfolio to less than a given period of time.

TOWNSHIP OF CLEARWATER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2007

NOTE C - CASH AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

The Township's has not adopted a policy that indicates how the Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Investments - P.A. 20 of 1943, authorizes the Township to deposit and invest in the following:

- a. Bonds and other direct obligations of the United States or its agencies.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations or credit unions insured by the national credit union administration that are eligible to be depository of surplus money belonging to the State under section 5 or 6 of act 105, PA 1855, as amended (MCL 21.145 and 21.146).
- c. Commercial paper rated at time of purchase within the three highest classifications established by not less than two standard rating services. Maturity cannot be more than 270 days after purchase.
- d. United States governmental or Federal agency obligation repurchase agreements.
- e. Bankers' acceptance of United States banks.
- f. Mutual funds composed of investments which are legal for direct investments by local units of government in Michigan.

NOTE D - ACCOUNTS RECEIVABLE

Accounts receivable consists of miscellaneous receivables of \$1,050 and ambulance billings of \$1,366, totaling \$2,416.

TOWNSHIP OF SOUTH BRANCH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2007

NOTE E - DUE FROM OTHER GOVERNMENTAL UNITS

Due from other governmental units consists of amounts due from the State of Michigan of \$20,573.

NOTE F - CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2007 was as follows:

<u>Primary Government</u>	<u>Beginning of year</u>	<u>Increases</u>	<u>Decreases</u>	<u>End of Year</u>
Governmental activities:				
Land	\$ 2,520	\$ -0-	\$ -0-	\$ 2,520
Total capital Assets, not being depreciated	<u>2,520</u>	<u>-0-</u>	<u>-0-</u>	<u>2,520</u>
Capital assets, being depreciated:				
Building and improvements	612,552	20,131	-0-	632,683
Machinery and equipment	363,930	32,066	-0-	395,996
Vehicles	<u>474,689</u>	<u>-0-</u>	<u>-0-</u>	<u>474,689</u>
Total capital assets, being depreciated	<u>1,451,171</u>	<u>52,197</u>	<u>-0-</u>	<u>1,503,368</u>
Less accumulated depreciation for:				
Buildings and improvements	249,640	21,637	-0-	271,277
Machinery and equipment	241,970	29,791	-0-	271,761
Vehicles	<u>263,712</u>	<u>32,381</u>	<u>-0-</u>	<u>296,093</u>
Total accumulated depreciation	<u>755,322</u>	<u>83,809</u>	<u>-0-</u>	<u>839,131</u>
Net capital assets, being depreciated	<u>695,849</u>	<u>(31,612)</u>	<u>-0-</u>	<u>664,237</u>
Net governmental activities capital assets	<u>\$ 698,369</u>	<u>\$ (31,612)</u>	<u>\$ -0-</u>	<u>\$ 666,757</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 8,602
Public safety	74,835
Public works	<u>372</u>
Total depreciation expense - governmental activities	<u>\$ 83,809</u>

TOWNSHIP OF SOUTH BRANCH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2007

NOTE G - PENSION PLAN

The Township has a pension plan covering substantially all of its elected and appointed officials and employees. The plan is maintained with the Manufacturers Life Insurance Company. The Township contributes 10% of gross pay for each eligible employee. Total pension expense for the year was \$6,082. The plan provides fully insured pension credits and each year's contributions sufficient to fully fund the benefits earned during the year. Payments to the plan have been used to purchase pension benefits, so there are no separate plan assets.

NOTE H - LONG-TERM DEBT

	Balance April 1, 2006	Additions	Deletions	Balance March 31, 2007	Due Within One Year
<u>Governmental Activities</u>					
Major Governmental Funds					
Fire Truck Note	<u>\$ 29,175</u>	<u>\$ -0-</u>	<u>\$ 28,000</u>	<u>\$ 1,175</u>	<u>\$ 1,175</u>

Fire Truck Note

On August 19, 2003, South Branch Township Board signed an installment promissary note with Citizens Banking Corporation in the amount of \$140,000. The proceeds were used to purchase a new fire truck. Annual installments of \$31,500 are due August 19th of each year with an accrued interest rate of 4%.

ANNUAL DEBT SERVICE REQUIREMENTS:

Year Ending <u>March 31,</u>	
2008	\$ 1,222
Less Interest	<u>(47)</u>
Total Principal Outstanding	<u>\$ 1,175</u>

NOTE I - INSURANCE

The Township is exposed to various risks of losses to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The Township participates in the Michigan Municipal Liability and Property Pool, as self-insured group. The pool is considered a public entity risk pool. The Township pays annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type of coverage of reinsurance. The Township has not been informed of any special assessments being required. There were no significant changes in coverage, nor were there any significant claims for the year. The Township carries commercial insurance for other types of losses including employee health and accident insurance.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

TOWNSHIP OF SOUTH BRANCH
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2007

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Taxes and Assessments:				
General property taxes	\$ 150,755	\$ 150,755	\$ 157,918	\$ 7,163
Total Taxes and Assessments	<u>150,755</u>	<u>150,755</u>	<u>157,918</u>	<u>7,163</u>
Intergovernmental:				
State shared revenues	128,784	128,784	125,309	(3,475)
State swamp tax	<u>13,000</u>	<u>13,000</u>	<u>12,960</u>	<u>(40)</u>
Total Intergovernmental	<u>141,784</u>	<u>141,784</u>	<u>138,269</u>	<u>(3,515)</u>
Charges for Services:				
Fees	<u>34,200</u>	<u>34,200</u>	<u>45,200</u>	<u>11,000</u>
Total Charges for Services	<u>34,200</u>	<u>34,200</u>	<u>45,200</u>	<u>11,000</u>
Licenses and permits	<u>-0-</u>	<u>-0-</u>	<u>558</u>	<u>558</u>
Interest	<u>4,500</u>	<u>4,500</u>	<u>17,869</u>	<u>13,369</u>
Other:				
Reimbursements	<u>-0-</u>	<u>-0-</u>	<u>1,607</u>	<u>1,607</u>
Total Other	<u>-0-</u>	<u>-0-</u>	<u>1,607</u>	<u>1,607</u>
Total Revenue	<u>331,239</u>	<u>331,239</u>	<u>361,421</u>	<u>30,182</u>

TOWNSHIP OF SOUTH BRANCH
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2007

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
General Government				
Township Board:				
Wages	\$	\$	\$ 2,842	\$
Per diem			2,184	
Office supplies			4,153	
Postage			103	
Contractual services			5,210	
Professional services			2,033	
Communications			2,718	
Education & training			200	
Printing and publishing			3,329	
Insurance			3,108	
Dues & subscriptions			1,463	
Fees			699	
Miscellaneous			1,791	
Capital outlay			2,068	
Total Township Board	<u>33,750</u>	<u>33,750</u>	<u>31,901</u>	<u>1,849</u>
Township Supervisor:				
Wages			15,000	
Postage			80	
Professional services			92	
Office supplies			288	
Travel			177	
Education & training			194	
Total Township Supervisor	<u>18,200</u>	<u>18,200</u>	<u>15,831</u>	<u>2,369</u>
Township Assessor:				
Wages			1,330	
Office supplies			366	
Postage			1,224	
Operating supplies			311	
Contractual services			47,274	
Internet			74	
Communications			56	
Travel			130	
Meals			81	
Education & training			175	
Capital outlay			1,221	
Total Township Assessor	<u>67,000</u>	<u>67,000</u>	<u>52,242</u>	<u>14,758</u>

TOWNSHIP OF SOUTH BRANCH
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2007

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
General Government (continued)				
Election Board:				
Wages	\$	\$	\$ 1,598	\$
Postage			40	
Operating supplies			330	
Travel			193	
Meals			148	
Publication & printing			66	
Total Election Board	<u>2,000</u>	<u>2,000</u>	<u>2,375</u>	<u>(375)</u>
Township Clerk:				
Wages			22,833	
Office supplies			407	
Postage			155	
Operating supplies			753	
Contractual services			918	
Communications			93	
Travel			500	
Education & training			344	
Fees			10	
Capital outlay			1,222	
Total Township Clerk	<u>35,000</u>	<u>35,000</u>	<u>27,235</u>	<u>7,765</u>
Township Treasurer:				
Wages			24,698	
Office supplies			188	
Postage			3,552	
Operating supplies			35	
Contractual services			2,381	
Communications			92	
Education & training			175	
Publication & printing			56	
Miscellaneous			508	
Capital outlay			1,223	
Total Township Treasurer	<u>35,000</u>	<u>35,000</u>	<u>32,908</u>	<u>2,092</u>

TOWNSHIP OF SOUTH BRANCH
GENERAL FUND
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2007

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
General Government (continued)				
Board of Review:	\$	\$	\$	\$
Wages			1,280	
Travel			34	
Meals			52	
Publication & printing			220	
Miscellaneous			328	
Total Board of Review	<u>2,500</u>	<u>2,500</u>	<u>1,914</u>	<u>586</u>
Township Hall:				
Operating supplies			2,036	
Contractual services			6,425	
Communications			778	
Heat			3,376	
Electric			1,551	
Repair & maintenance			28	
Capital outlay			3,705	
Total Township Hall	<u>20,000</u>	<u>20,000</u>	<u>17,899</u>	<u>2,101</u>
Planning:				
Per Diem			10,138	
Office supplies			551	
Postage			10	
Contractual services			13,435	
Professional services			1,499	
Communications			92	
Travel			39	
Education & training			977	
Publication & printing			120	
Dues & subscriptions			1,115	
Capital outlay			715	
Total Planning	<u>25,000</u>	<u>25,000</u>	<u>28,691</u>	<u>(3,691)</u>
Total General Government	<u>238,450</u>	<u>238,450</u>	<u>210,996</u>	<u>27,454</u>
Street Lights	<u>2,500</u>	<u>2,500</u>	<u>1,908</u>	<u>592</u>

TOWNSHIP OF SOUTH BRANCH
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2007

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Fringe Benefits:				
Social security	\$	\$	\$ 6,182	\$
Michigan unemployment			1,523	
Pension			6,082	
Insurance & bonds			925	
Group life insurance			1,184	
Total Fringe Benefits	<u>25,000</u>	<u>25,000</u>	<u>15,896</u>	<u>9,104</u>
Total Expenditures	<u>265,950</u>	<u>265,950</u>	<u>228,800</u>	<u>37,150</u>
Excess:				
Revenues over (under)				
expenditures	<u>65,289</u>	<u>65,289</u>	<u>132,621</u>	<u>67,332</u>
Other Financing Sources (Uses):				
Operating transfers out	<u>(35,000)</u>	<u>(35,000)</u>	<u>(35,000)</u>	<u>-0-</u>
Total Other Financing				
Sources (Uses)	<u>(35,000)</u>	<u>(35,000)</u>	<u>(35,000)</u>	<u>-0-</u>
Excess:				
Revenue and other financing				
sources over (under)				
expenditures and other				
financing uses	30,289	30,289	97,621	67,332
Fund Balance - April 1	<u>521,744</u>	<u>521,744</u>	<u>632,652</u>	<u>110,908</u>
Fund Balance - March 31	<u>\$ 552,033</u>	<u>\$ 552,033</u>	<u>\$ 730,273</u>	<u>\$ 178,240</u>

TOWNSHIP OF SOUTH BRANCH
FIRE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2007

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	\$ 194,149	\$ 194,149	\$ 207,065	\$ 12,916
State	-0-	-0-	2,565	2,565
Charges for services	1,500	1,500	2,000	500
Interest	1,000	1,000	15,505	14,505
Other	1,950	1,950	292	(1,658)
Total Revenues	<u>198,599</u>	<u>198,599</u>	<u>227,427</u>	<u>28,828</u>
Expenditures:				
Wages	38,800	38,800	30,526	8,274
Fringe benefits	-0-	-0-	2,524	(2,524)
Utilities	5,500	5,500	3,719	1,781
Office supplies	3,100	3,100	1,105	1,995
Communication	4,000	4,000	812	3,188
Training & education	4,000	4,000	1,490	2,510
Insurance	13,500	13,500	11,066	2,434
Supplies/repairs/maintenance	46,000	46,000	18,026	27,974
Services	9,000	9,000	3,577	5,423
Travel & meals	3,000	3,000	1,133	1,867
Miscellaneous	2,000	2,000	831	1,169
Equipment/building	44,000	44,000	26,055	17,945
Principal	-0-	-0-	28,000	(28,000)
Interest	-0-	-0-	1,138	(1,138)
Total Expenditures	<u>172,900</u>	<u>172,900</u>	<u>130,002</u>	<u>42,898</u>
Excess:				
Revenues over (under) expenditures	25,699	25,699	97,425	71,726
Fund Balance - April 1	<u>303,595</u>	<u>303,595</u>	<u>361,351</u>	<u>57,756</u>
Fund Balance - March 31	<u>\$ 329,294</u>	<u>\$ 329,294</u>	<u>\$ 458,776</u>	<u>\$ 129,482</u>

TOWNSHIP OF SOUTH BRANCH
 AMBULANCE FUND
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 YEAR ENDED MARCH 31, 2007

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	\$ 61,294	\$ 61,294	\$ 64,945	\$ 3,651
Charges for services	25,000	25,000	28,402	3,402
Interest	1,000	1,000	9,107	8,107
Other	<u>1,950</u>	<u>1,950</u>	<u>3,522</u>	<u>1,572</u>
Total Revenues	<u>89,244</u>	<u>89,244</u>	<u>105,976</u>	<u>16,732</u>
Expenditures:				
Wages	21,600	21,600	14,475	7,125
Fringe benefits	-0-	-0-	1,292	(1,292)
Utilities	4,500	4,500	2,054	2,446
Office supplies	2,700	2,700	274	2,426
Communication	1,800	1,800	769	1,031
Training & education	7,000	7,000	1,832	5,168
Insurance	5,000	5,000	3,392	1,608
Supplies/repairs/maintenance	4,250	4,250	3,363	887
Services	15,300	15,300	10,901	4,399
Travel & meals	4,000	4,000	1,687	2,313
Miscellaneous	1,500	1,500	380	1,120
Equipment/building	<u>17,000</u>	<u>17,000</u>	<u>15,989</u>	<u>1,011</u>
Total Expenditures	<u>84,650</u>	<u>84,650</u>	<u>56,408</u>	<u>28,242</u>
Excess:				
Revenues over (under) expenditures	4,594	4,594	49,568	44,974
Fund Balance - April 1	<u>150,756</u>	<u>150,756</u>	<u>101,748</u>	<u>(49,008)</u>
Fund Balance - March 31	<u>\$ 155,350</u>	<u>\$ 155,350</u>	<u>\$ 151,316</u>	<u>\$ (4,034)</u>

TOWNSHIP OF SOUTH BRANCH
REFUSE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2007

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	\$ 126,000	\$ 126,000	\$ 127,147	\$ 1,147
Charges for services	-0-	-0-	165	165
Interest	2,000	2,000	8,260	6,260
Other	700	700	667	(33)
Total Revenues	<u>128,700</u>	<u>128,700</u>	<u>136,239</u>	<u>7,539</u>
Expenditures:				
Wages	30,000	30,000	27,984	2,016
Fringe benefits	-0-	-0-	2,043	(2,043)
Utilities	1,500	1,500	2,109	(609)
Office supplies	500	500	201	299
Communication	1,500	1,500	779	721
Insurance	2,500	2,500	2,125	375
Supplies/repairs/maintenance	250	250	2,951	(2,701)
Services	80,000	80,000	72,524	7,476
Equipment/building	10,000	10,000	-0-	10,000
Total Expenditures	<u>126,250</u>	<u>126,250</u>	<u>110,716</u>	<u>15,534</u>
Excess:				
Revenues over (under) expenditures	2,450	2,450	25,523	23,073
Fund Balance - April 1	<u>100,015</u>	<u>100,015</u>	<u>126,278</u>	<u>26,263</u>
Fund Balance - March 31	<u>\$ 102,465</u>	<u>\$ 102,465</u>	<u>\$ 151,801</u>	<u>\$ 49,336</u>

**OTHER
SUPPLEMENTAL
INFORMATION**

TOWNSHIP OF SOUTH BRANCH
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
MARCH 31, 2007

	<u>SPECIAL REVENUE FUNDS</u>			
ASSETS	<u>Road</u>	<u>Cemetery</u>	<u>Liquor</u>	<u>Totals</u>
Cash and investments	\$ 104,455	\$ 12,057	\$ 2,114	\$118,626
Prepaid insurance	<u>-0-</u>	<u>277</u>	<u>-0-</u>	<u>277</u>
Total Assets	<u>\$ 104,455</u>	<u>\$ 12,334</u>	<u>\$ 2,114</u>	<u>\$118,903</u>
LIABILITIES AND FUND EQUITY				
Liabilities:				
Accrued liabilities	\$ -0-	\$ 21	\$ 5	\$ 26
Due to other funds	<u>4,148</u>	<u>-0-</u>	<u>-0-</u>	<u>4,148</u>
Total Liabilities	<u>4,148</u>	<u>21</u>	<u>5</u>	<u>4,174</u>
Fund Balance:				
Undesignated	<u>100,307</u>	<u>12,313</u>	<u>2,109</u>	<u>114,729</u>
Total Fund Equity	<u>100,307</u>	<u>12,313</u>	<u>2,109</u>	<u>114,729</u>
Total Liabilities and Fund Equity	<u>\$ 104,455</u>	<u>\$ 12,334</u>	<u>\$ 2,114</u>	<u>\$118,903</u>

TOWNSHIP OF SOUTH BRANCH
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED MARCH 31, 2007

	<u>SPECIAL REVENUE FUNDS</u>			
	<u>Road</u>	<u>Cemetery</u>	<u>Liquor</u>	<u>Totals</u>
Revenues:				
State	\$ 14,727	\$ -0-	\$ 1,155	\$ 15,882
Interest	2,415	664	15	3,094
Other	<u>-0-</u>	<u>7,260</u>	<u>-0-</u>	<u>7,260</u>
Total Revenues	<u>17,142</u>	<u>7,924</u>	<u>1,170</u>	<u>26,236</u>
Expenditures:				
Wages	-0-	2,341	636	2,977
Fringe benefits	-0-	179	48	227
Utilities	-0-	82	-0-	82
Office supplies	-0-	553	-0-	553
Insurance	-0-	419	-0-	419
Supplies/repairs/maintenance	-0-	837	-0-	837
Services	244	3,664	244	4,152
Travel & meals	<u>-0-</u>	<u>502</u>	<u>-0-</u>	<u>502</u>
Total Expenditures	<u>244</u>	<u>8,577</u>	<u>928</u>	<u>9,749</u>
Excess:				
Revenues over (under) expenditures	<u>16,898</u>	<u>(653)</u>	<u>242</u>	<u>16,487</u>
Other Financing Sources:				
Operating transfers in	<u>25,000</u>	<u>10,000</u>	<u>-0-</u>	<u>35,000</u>
Total Other Financing Sources	<u>25,000</u>	<u>10,000</u>	<u>-0-</u>	<u>35,000</u>
Excess:				
Revenue and other financing sources over (under) expenditures	41,898	9,347	242	51,487
Fund Balance - April 1	<u>58,409</u>	<u>2,966</u>	<u>1,867</u>	<u>63,242</u>
Fund Balance - March 31	<u>\$ 100,307</u>	<u>\$ 12,313</u>	<u>\$ 2,109</u>	<u>\$ 114,729</u>

TOWNSHIP OF SOUTH BRANCH
ROAD FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2007

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State	\$ 20,500	\$ 20,500	\$ 14,727	\$ (5,773)
Interest	500	500	2,415	1,915
Total Revenues	<u>21,000</u>	<u>21,000</u>	<u>17,142</u>	<u>(3,858)</u>
Expenditures:				
Road improvements	<u>-0-</u>	<u>-0-</u>	<u>244</u>	<u>(244)</u>
Total Expenditures	<u>-0-</u>	<u>-0-</u>	<u>244</u>	<u>(244)</u>
Excess:				
Revenues over (under) expenditures	<u>21,000</u>	<u>21,000</u>	<u>16,898</u>	<u>(4,102)</u>
Other Financing Sources:				
Operating transfers in	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>-0-</u>
Total Other Financing Sources	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>-0-</u>
Excess:				
Revenue and other financing sources over (under) expenditures	46,000	46,000	41,898	(4,102)
Fund Balance - April 1	<u>54,371</u>	<u>54,371</u>	<u>58,409</u>	<u>4,038</u>
Fund Balance - March 31	<u>\$ 100,371</u>	<u>\$ 100,371</u>	<u>\$ 100,307</u>	<u>\$ (64)</u>

TOWNSHIP OF SOUTH BRANCH
CEMETERY FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2007

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Fees	\$ 4,500	\$ 4,500	\$ 7,260	\$ 2,760
Interest	<u>-0-</u>	<u>-0-</u>	<u>664</u>	<u>664</u>
Total Revenues	<u>4,500</u>	<u>4,500</u>	<u>7,924</u>	<u>3,424</u>
Expenditures:				
Wages	2,500	2,500	2,341	159
Fringe benefits	-0-	-0-	179	(179)
Utilities	175	175	82	93
Office supplies	400	400	553	(153)
Insurance	250	250	419	(169)
Supplies/repairs/maintenance	750	750	837	(87)
Services	4,350	4,350	3,664	686
Travel & meals	500	500	502	(2)
Equipment/building	<u>5,000</u>	<u>5,000</u>	<u>-0-</u>	<u>5,000</u>
Total Expenditures	<u>13,925</u>	<u>13,925</u>	<u>8,577</u>	<u>5,348</u>
Excess:				
Revenues over (under) expenditures	<u>(9,425)</u>	<u>(9,425)</u>	<u>(653)</u>	<u>8,772</u>
Other Financing Sources (Uses):				
Operating transfers in	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-0-</u>
Total Other Financing Sources (Uses)	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-0-</u>
Excess:				
Revenue and other financing sources over (under) expenditures and other financing uses	575	575	9,347	8,772
Fund Balance - April 1	<u>4,432</u>	<u>4,432</u>	<u>2,966</u>	<u>(1,466)</u>
Fund Balance - March 31	<u>\$ 5,007</u>	<u>\$ 5,007</u>	<u>\$ 12,313</u>	<u>\$ 7,306</u>

TOWNSHIP OF SOUTH BRANCH
LIQUOR LAW FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2007

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State	\$ 715	\$ 715	\$ 1,155	\$ 440
Interest	<u>-0-</u>	<u>-0-</u>	<u>15</u>	<u>15</u>
Total Revenues	<u>715</u>	<u>715</u>	<u>1,170</u>	<u>455</u>
Expenditures:				
Wages	600	600	636	(36)
Fringe benefits	-0-	-0-	48	(48)
Services	<u>50</u>	<u>50</u>	<u>244</u>	<u>(194)</u>
Total Expenditures	<u>650</u>	<u>650</u>	<u>928</u>	<u>(278)</u>
Excess:				
Revenues over (under) expenditures	65	65	242	177
Fund Balance - April 1	<u>1,378</u>	<u>1,378</u>	<u>1,867</u>	<u>489</u>
Fund Balance - March 31	<u>\$ 1,443</u>	<u>\$ 1,443</u>	<u>\$ 2,109</u>	<u>\$ 666</u>



James M. Anderson, P.C.

CERTIFIED PUBLIC ACCOUNTANT

P.O. Box 255 • Roscommon, MI 48653

Phone: (989) 563-2450 • Fax: (989) 563-3471 • E-mail: jma@m33access.com

**COMMUNICATION OF SIGNIFICANT DEFICIENCIES
AND MATERIAL WEAKNESSES**

August 29, 2007

Township Board
South Branch Township
Crawford County, Michigan

In planning and performing my audit of the financial statements of the governmental activities and each major fund of the Township of South Branch, Michigan as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, I considered South Branch Township's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly I do not express an opinion on the effectiveness of the governmental unit's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control that I consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. I consider the following deficiencies to be significant deficiencies in internal control.

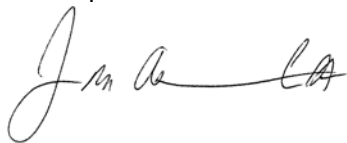
The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Township Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the Township's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting). As is the case with most small and medium-sized entities, the Township has historically relied on its independent external auditor to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Township's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot, by definition, be considered a part of the government's internal controls. This condition was caused by the Township's determination that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the Township to perform this task internally.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control. I believe that the deficiencies described above are material weaknesses.

In addition, I noted other matters involving the internal control and its operation that I have reported to the management of South Branch Township in a separate letter dated August 29, 2007.

This communication is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

A handwritten signature in cursive script, appearing to read "J M Anderson".

JAMES M. ANDERSON, P.C.
CERTIFIED PUBLIC ACCOUNTANT

TOWNSHIP OF SOUTH BRANCH

REPORT TO MANAGEMENT

MARCH 31, 2007



James M. Anderson, P.C.

CERTIFIED PUBLIC ACCOUNTANT

P.O. Box 255 • Roscommon, MI 48653

Phone: (989) 563-2450 • Fax: (989) 563-3471 • E-mail: jma@m33access.com

August 29, 2007

Township Board
South Branch Township
Crawford County, Michigan

In planning and performing my audit of the financial statements of the Township of South Branch, Crawford County, as of and for the year ended March 31, 2007, I considered the Township's accounting, operational, and internal control procedures to determine the nature and extent of my audit testing for the purpose of expressing an opinion on the financial statements of the Township and not to provide assurance on the procedures themselves.

I did however, during the course of my audit, become aware of certain matters that are opportunities for enhancing those procedures or controls. The memorandum that accompanies this letter summarizes my comments and suggestions regarding those matters. This letter does not affect my report dated August 29, 2007, on the financial statements of the Township of South Branch.

I have already discussed these comments and suggestions with the Township's personnel, and I will be pleased to discuss them in further detail at your convenience, and/or to perform any additional studies of these matters, should you so desire.

Sincerely,

A handwritten signature in dark ink, appearing to read "J M Anderson".

JAMES M. ANDERSON, P.C.
CERTIFIED PUBLIC ACCOUNTANT

**SOUTH BRANCH TOWNSHIP
COMMENTS AND RECOMMENDATIONS
MARCH 31, 2007**

Payroll

During our testwork of the payroll system it was discovered that holiday pay was being paid at triple time rather than at double time. This was caused from the hours being input in the accounting system both as regular hours and holiday hours. I recommend that the time card hours be reconciled to the payroll input each pay period.

Disbursements

Invoices are approved by the board prior to payment. However, the account numbers which the invoice is to be applied are not indicated on the invoice or check. To provide an audit trail I recommend that the account number be indicated on the approved invoice.



James M. Anderson, P.C.

CERTIFIED PUBLIC ACCOUNTANT

P.O. Box 255 • Roscommon, MI 48653

Phone: (989) 563-2450 • Fax: (989) 563-3471 • E-mail: jma@m33access.com

August 29, 2007

Township Board
South Branch Township
Crawford County, MI

Dear Board Members:

I have audited the financial statements of each major fund and the aggregate remaining fund information of the Township of South Branch for the year ended March 31, 2007, and have issued my report thereon dated August 29, 2007. Professional standards require that I provide you with the following information related to my audit.

My Responsibility Under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in my engagement letter dated August 28, 2007, my responsibility, as described by professional standards, is to plan and perform my audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting standards. Because an audit is designed to provide reasonable, but not absolute assurance and because I did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by me.

As part of my audit, I considered the internal control of the Township of South Branch. Such considerations were solely for the purpose of determining my audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of South Branch Township's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of my tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of my engagement letter, I will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township of South Branch are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. I noted no transactions entered into by the Township of South Branch during the year that were both significant and unusual, and of which, under professional standards, I am required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in my judgment, may not have been detected except through my auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on South Branch Township's financial reporting process (that is, cause future financial statements to be materially misstated). In my judgment, none of the adjustments I proposed, whether recorded or unrecorded by the Township of South Branch, either individually or in the aggregate, indicate matters that could have a significant effect on South Branch Township's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to my satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves applications of an accounting principle to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the South Branch Township's auditor. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing my audit.

This information is intended solely for the use of management, Township Board and the Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "James M. Anderson".

James M. Anderson, P.C.
Certified Public Accountant